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Net budgeting, including its impact on the functioning of the entities concerned

Report of the Secretary-General

Summary

In paragraph 28 of part II of its resolution 52/220 of 22 December 1997, the General Assembly decided to keep under review all aspects of net budgeting, including its impact on the functioning of the entities concerned, and requested the Secretary-General to report on that subject to the General Assembly at its fifty-third session. The present report is submitted in accordance with that resolution. As indicated below, the change from gross to net budgeting has been effected smoothly, with no change in the ability to operate of those entities previously budgeted on a gross basis.

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1. The present report is submitted in accordance with General Assembly resolution 52/220.

I. Implications of the change from gross to net budgeting

2. Net budgeting is applied to those entities whose costs are shared by participating organizations. In essence, it consists of including in the regular budget only the share of the United Nations, while recording the gross budgets of those entities as special accounts and handling the net budgets as a component of the regular budget.

3. In connection with funding and assessments, the application of gross or net budgeting has no effect on either the funding arrangements or the assessments for the United Nations regular budget. Whether net or gross budgeting is applied to the funding of those activities, the assessments on United Nations Member States are the same. In either case, the United Nations funds its share and participating agencies fund their respective shares. The only difference is that whereas in gross budgeting Member States are assessed the gross amount of appropriations approved by the General Assembly less income anticipated from reimbursements from participating organizations, in net budgeting the appropriation granted by the General Assembly under the expenditure sections reflects only the regular budget's net share, with no offsetting income for the shares of participating organizations.

4. As indicated in the prior report to the General Assembly on the subject (A/C.5/52/15), net budgeting had been applied in the current and previous programme budgets to the International Trade Centre (ITC) and the secretariats of the Consultative Committee on Administrative Questions (CCAQ), the Information Systems Coordinating Committee (ISCC) and the Consultative Committee on Programme and Operational Questions (CCPOQ). For the 1998–1999 biennium, the Secretary-General proposed and the Assembly approved appropriations on a net basis for the International Civil Service Commission (ICSC), the Joint Inspection Unit (JIU), and conference and security services at Vienna.

5. The budget appropriation in Assembly resolution 52/220 provided for the appropriation of net budget amounts for those entities. At the same time, the Assembly also approved full budgets for JIU and ICSC, as required under the statute of those two bodies. Following the adoption of Assembly resolution 52/220, separate accounts, similar to those established for the secretariats of the Administrative Committee on Coordination (ACC), were established to record the gross 1998–1999 budgets approved for ICSC, JIU, and conference and security services at Vienna in order to ensure that no disruptions occur in the operations of ICSC, JIU, and conference and security services at Vienna. Posts and expenditures were authorized under those accounts corresponding to the number and level of posts approved by the General Assembly. Accordingly, the provision of funds to the newly net budgeted entities was handled on an equal footing with those for the regular budget as a whole. The change from gross to net budgeting was thus effected smoothly. Since all the 1998 funds approved for the three entities concerned (JIU, ICSC, and conference and security services at Vienna) were allotted at the same time as those appropriated under the regular budget as a whole, those entities did not notice any change in their ability to operate.

6. In accordance with the request made by the General Assembly to ensure that funds from the participating organizations were received promptly, the participating organizations were billed prospectively in January 1998 for their 1998 shares in each of the entities (ICSC, JIU, CCAQ, ISCC, CCPOQ, and security services at Vienna) based on the budget approved by the General Assembly.

7. As regards conference services at Vienna, the agreement between the United Nations and the United Nations Industrial Development Organization (UNIDO) regarding a unified

conference service provides that charges shall be made quarterly on the basis of accumulated disbursements for all services, excluding translation, text processing and reference and terminology. In order to conform to the revised pattern of billing applicable for entities under the machinery of the Administrative Committee for Coordination, UNIDO was billed at the beginning of each quarter based on cost estimates approved in the programme budget, with subsequent adjustments made for actual disbursements. IAEA was billed in advance for its estimated share of interpretation services.

II. Conclusions and recommendations

8. **The General Assembly may wish to take note of the present report.**